



Public Review Draft Governance Alternatives: West Ranch, Castaic & Tesoro

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City of Santa Clarita, West Ranch & Castaic Town Councils



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1. FINDINGS

This is a governance alternatives comparison report on the unincorporated communities of West Ranch, Stevenson Ranch, Castaic, Val Verde, and Tesoro. This report was prepared at the request of the West Ranch and Castaic Town Councils to evaluate policy options under consideration.

STUDY AREAS

Three study areas were demarcated for incorporation and annexation analysis purposes only. The boundaries are not fixed for purposes of actual governance changes, and may be changed during the incorporation and annexation processes.

STUDY AREA 1: TESORO/PITCHESS

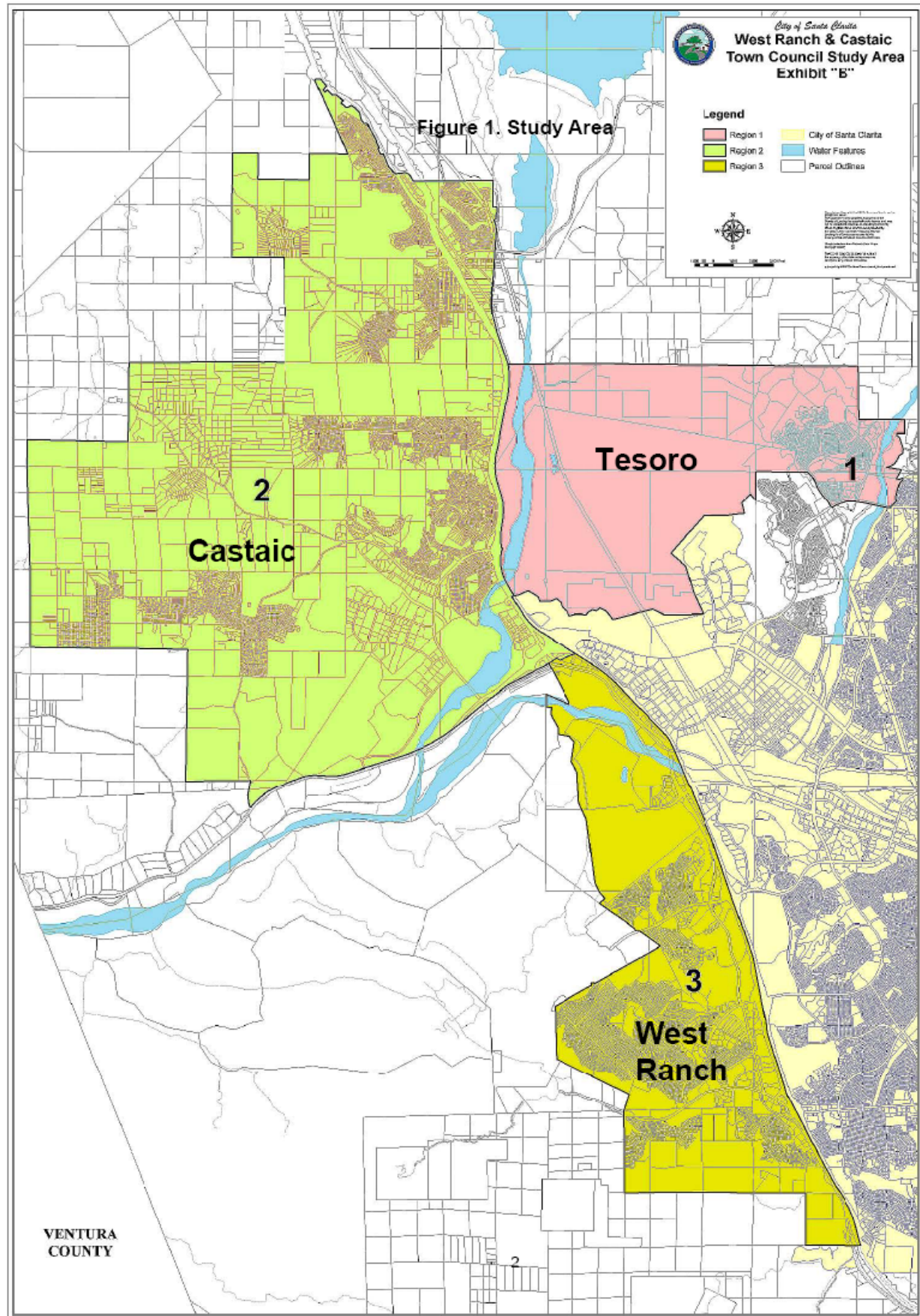
The Tesoro/Pitchess study area is located along the eastern side of I-5 between the north City limits and Tapia Canyon Road. There are approximately 3,000 household residents and 7,800 inmates residing in this area and 470 jobs. Tesoro del Valle is a master-planned community located in the eastern portion of this study area with 1,077 existing units and 714 proposed future units. The proposed 405-unit Tapia Ranch residential subdivision would be located northwest of the Tesoro del Valle community and predominantly outside the study area bounds. Peter J. Pitchess Detention Center—a County jail facility located east of I-5 and north of the city limits—was included in the study area to meet contiguity legal requirements in case this area prefers cityhood.

STUDY AREA 2: CASTAIC/VAL VERDE

The Castaic/Val Verde study area is located along the western side of I-5 between SR-126 (Henry Mayo Drive) in the south and Lake Hughes Road in the north, and includes the Castaic Junction area east of I-5. There are about 22,000 residents and 8,000 jobs in the area. Val Verde is a rural-residential community located in the hills northwest of Chiquita Canyon Landfill with 500 homes. East of Val Verde are the residential communities of Hasley Hills, Live Oak and North Bluffs with 1,500 homes. Hillcrest is a suburban residential area north of Hasley Hills. Hasley, Sloan and Romero Canyons are northwest of Hasley Hills. Valencia Commerce Center is a 1,400-acre industrial, commercial and retail area. Planned development projects include the Sterling Gateway Industrial Center (1.3 million square feet), the Gateway V industrial and business park project (3.5 million square feet), and the Hasley Golf Course and subdivision.

STUDY AREA 3: WEST RANCH/STEVENSON RANCH

The West Ranch/Stevenson Ranch study area is located along the western side of I-5 between the SR-126 (Henry Mayo Drive) in the north and Towsley Canyon Road in the south. There are about 20,000 residents and 7,000 jobs in the area. Sunset Pointe and Southern Oaks are residential areas located south of Pico Canyon Road. Stevenson Ranch is a master-planned community located north of Pico Canyon Road that is primarily residential and includes 100 commercial acres. Westridge is a master-planned community located in the vicinity of Valencia Blvd. Valencia Marketplace includes big box retail, restaurants and office uses. Six Flags Magic Mountain theme park and water park draw 2-3 million visitors annually to the area. Planned developments include the Entrada project (3,387 homes and 3 million commercial square feet), and 332 homes south of Pico Canyon Road. Adjacent to the study area is the Newhall Ranch Specific Plan area where nearly 21,000 homes and commercial, park, golf course and public facilities uses are planned.



GOVERNANCE ALTERNATIVES

The study areas are unincorporated communities in which Los Angeles County is the responsible agency for governance and municipal service provision. One option for community members is retaining the status quo arrangement. Two alternatives are 1) incorporation of some or all of the affected areas as an independent city (hereafter, the “new city”), and 2) annexation of some or all of the affected areas to the City of Santa Clarita (hereafter, “City”).

An advisory ballot measure on these alternatives will be held in November 2009. If incorporation or annexation is initiated, voters would have another opportunity to reject the change.

A third alternative that is not on the advisory ballot measure is for the communities to remain unincorporated, and to form a community services district (CSD) with an independently elected board of directors. A CSD could afford the communities greater control over service and deployment, but would not result in local control over ordinances and regulatory functions.

GOVERNANCE CHANGE PROCESSES

Incorporation and annexation are governed by the Local Agency Formation Commission (LAFCO) for Los Angeles County. Los Angeles LAFCO consists of nine regular members: two from the Board of Supervisors, two city representatives, one from the City of Los Angeles, two from special districts, and two public members. Ultimately, registered voters residing within the proposed boundaries would determine whether incorporation or annexation would occur.

The most significant difference between the processes for incorporation and annexation is that incorporation may occur without the County’s approval, whereas annexation requires the County’s approval of property tax transfer. Generally, incorporation would be more complex, costly and time-consuming for community representatives and local government to process than annexation. Annexation would be processed by the City rather than community leaders, and the process would be financed by the City.

The incorporation process would involve the communities petitioning LAFCO for incorporation, paying LAFCO fees (\$150,000 or more) by the communities, studies conducted by LAFCO, LAFCO public hearings, and ultimately an election in the study area(s). LAFCO would determine fiscal terms, specifically the amount and length of a fiscal mitigation payment from the new city to the County. The process typically takes at least two years to complete. Some have launched repeated attempts at cityhood spanning decades.

The annexation process would involve the City of Santa Clarita City Council adopting a resolution to initiate annexation with LAFCO, payment of LAFCO fees by the City, City preparation of a municipal service plan and CEQA documentation, City-County fiscal negotiations, and public hearings. Voter approval would be required if more than 15 percent of registered voters in the affected areas register written disapproval to LAFCO or appear at a LAFCO hearing to disapprove. Annexation is typically at least a one-year process, but likely longer in this case.

Detachment from two County-dependent districts—Lighting Maintenance District No. 1687 and Road District No. 5—would be processed along with cityhood or annexation. District property tax revenues and service responsibilities would transfer from the County to the new city or the City.

FEASIBILITY

Initial fiscal feasibility studies of incorporation and annexation have been prepared on behalf of the Town Councils with funding from the County and the City respectively. These studies—the Initial (Incorporation) Fiscal Analysis (IFA) and Annexation Fiscal Analysis (AFA)—contain municipal budget models that gauge feasibility and describe taxes, services and growth.

The studies concluded that incorporation and annexation (of all three study areas simultaneously) are within the realm of feasibility.

The IFA found that a new city encompassing all three study areas would likely generate enough revenues to cover its costs and mitigate negative fiscal impacts on the County. Key determinants of cityhood fiscal viability are: 1) the pace of economic recovery from the recession, 2) the approach LAFCO Commissioners take in calculating the fiscal mitigation payment due to the County, and 3) the new city's actual cost of contracting with the County Sheriff for law and traffic enforcement services. The new city would make fixed annual mitigation payments to the County for at least seven years. The new city would have limited resources during its first 10 years, but its financial position would gradually improve due to growth in the tax base.

The AFA found that the City could annex all three study areas simultaneously and mitigate negative impacts on the County. Annexing the study areas individually would have different effects.

- Annexing only the **Tesoro/Pitchess** study area would have a positive impact on the City. This area would benefit the City primarily because the sizeable inmate population would boost City street and transit revenues (allocated to cities based on population), and there would be no fiscal mitigation payment due to the County. The fiscal effect would most likely be neutral; however, if the City were to annex only the portion outside the Pitchess Detention Center.
- Annexing only the **Castaic/Val Verde** study area would likely have a negative fiscal impact on the City. Although the area generates a \$1 million financial surplus for the County's general funds, it is a net drain on County street and transit funds. The City would mitigate the County's loss of net general revenues, and inherit the area's challenges in financing maintenance of fairly extensive public roads. The AFA identifies strategies for improving the area's fiscal impact on the City, such as boundary changes or a graduated phase-out of the utility tax.
- Annexing the **West Ranch/Stevenson Ranch** study area would initially have a negative fiscal impact on the City and have a positive impact after several years of economic recovery. The study area generated a \$6-7 million surplus for the County in FY 06-07 primarily due to tax revenue from hotels and retail sales. The City would annually mitigate loss of that surplus after annexation for a period of time that would be negotiated by the City and County. The net result would be a negative impact on the City during the next several years. Growth and inflation would benefit the City financially while it is making payments to the County.

FISCAL IMPACTS—RESIDENTS

Annexation would reduce the average household's annual taxes and fees by approximately \$93 compared with the status quo. Incorporation would not likely have a fiscal impact on residents. Residents would most likely continue to pay the same taxes and fees, although certain of those would accrue to the new city instead of the County. Since the new city does not exist, it is unknown whether the new city would negotiate more favorable rates for solid waste collection, or possible increase recreation fees. Hence, there are potential impacts that could be positive or negative. Homeowners would continue to pay the same one percent property tax regardless of which governance alternative is in place.

Utility Tax: Residents of the study areas pay approximately \$151 per home per year under the County's utility user tax, and would continue to pay that tax if the area incorporates. The City does not impose such a tax.

Solid Waste Charges: Charges would decline by about \$43 per home per year if the study areas annexed to the City. Impacts under the incorporation alternative are unknown, as the new city would be responsible for negotiating such charges with the selected waste hauler.

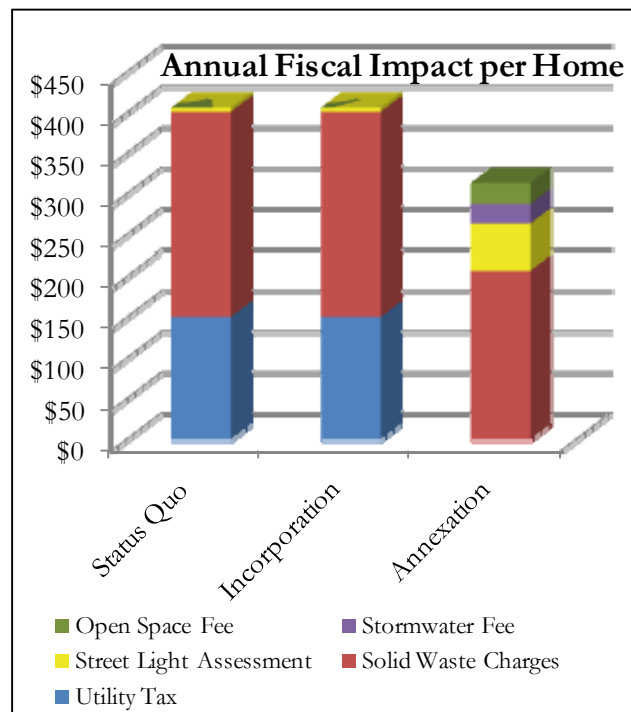
Street Light Assessments: Residents of the study areas presently pay \$5 per home for street lighting, with the remainder of the cost financed through property tax revenues. The City charges assessments that are \$56 per home, yielding a net impact of \$51 per home. The new city would likely need to impose a similar assessment as the City's to fund services, and would need voter approval to do so.

Open Space Fee: Under annexation, residents would pay \$26 per home per year to the City for acquisition of open space, which is a fee not presently paid to the County. The IFA did not assume such a fee would be imposed under the incorporation alternative.

Stormwater Fee: Under the annexation alternative, residents would be responsible for paying a stormwater utility fee to the City of \$24 per home per year. No such fee is presently imposed on the communities. The new city could only impose such a fee with voter approval.

Recreation Fees: Study area residents who presently attend City recreation programs are often charged non-resident fees that are 4.5 percent higher than base fees, although this practice varies by specific recreation activity. Those residents would see fee reductions as they would no longer pay the premium. Residents who primarily attend County recreation programs would likely pay somewhat higher fees to the City than they presently pay, although the impact would depend on the recreation program choices of a particular household.

Traffic Citations: Enhanced traffic enforcement under both incorporation and annexation would affect some drivers in the study areas.



FISCAL IMPACTS—BUSINESSES

Annexation would have a positive fiscal impact on most businesses. Incorporation would not likely have a significant fiscal impact on businesses, as businesses would likely continue to pay the same taxes and fees. Property and sales tax rates would be unaffected by governance changes.

Utility Tax: Businesses in the study areas presently pay a 4.5 percent utility tax to the County. Under incorporation, they would continue to pay this tax. Annexation would bring tax relief to businesses because the City does not levy a utility tax.

Hotel Tax: The hotel tax rate would decline from 12 percent to 10 percent under the annexation alternative, but would remain 12 percent under the incorporation option.

Stormwater Fee: Businesses would pay a stormwater utility fee under annexation, and could potentially pay such a fee under incorporation. Businesses presently do not pay such a fee.

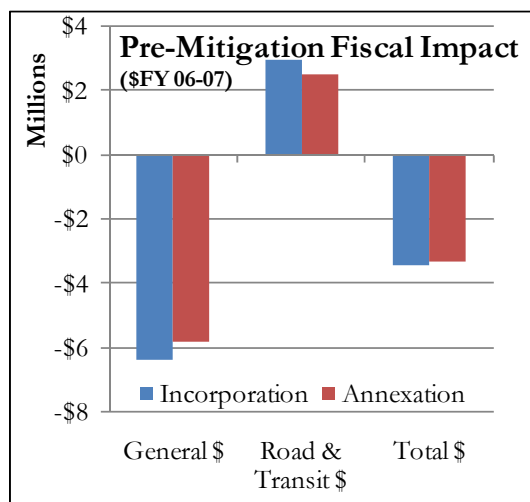
Business Tax: The local business license tax in the study areas would be unaffected by annexation or incorporation. Majority voter approval would be required for the City or new city to increase this tax.

Solid Waste Charges: Businesses in the study areas presently arrange for their own solid waste services through an open-market system. A private hauler, Burrtec, with an exclusive franchise in the City would service businesses that annex to the City. This could have positive or negative fiscal impacts depending on a particular business's existing arrangement. Under incorporation, the solid waste hauler is unknown, as are the fiscal impacts.

State Income Tax: Annexation to the City would offer eligible businesses opportunities for State income tax savings because the City would annex the Valencia Commerce Center and other commercial areas to a State enterprise zone. There is no such zone in the study areas.

Park Development Fees: New development must dedicate land for park space or pay park in-lieu fees to the respective land use authority (County, new city or City). Developers would pay much higher fees per new home to the City under annexation than to the County. The new city can increase park in-lieu fees to be based on local land prices without voter approval.

FISCAL IMPACTS—LOS ANGELES COUNTY

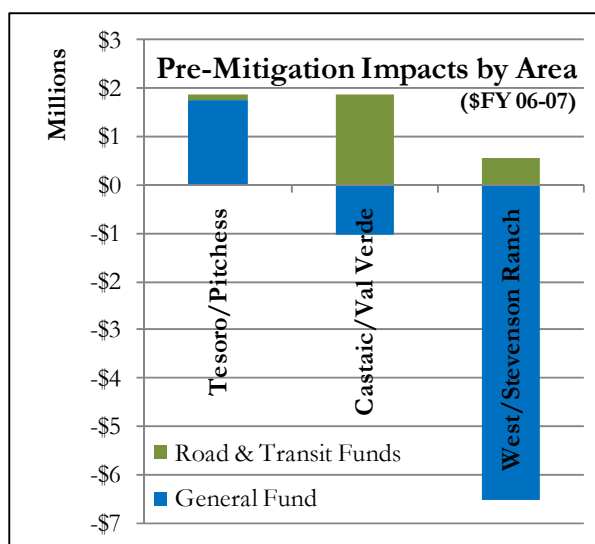


Incorporation and annexation would have similar fiscal impacts on the County. The new city or the City respectively would mitigate negative fiscal impacts on the County. Estimated impacts are based on FY 06-07 data and do not reflect the effects of recession on the financial surplus from West Ranch/Stevenson Ranch.

The County's general fund would lose an estimated \$5.8 million annually under annexation, and \$6.3 million under incorporation. The County's road and transit funds would benefit by \$2.5-3.0 million, primarily because State revenue allocation law allocates associated revenues to counties irrespective of the extent of unincorporated areas. The effects would be lower when estimated with more recent data due to recession-driven

revenue declines and the use of reserve funds.

The impact of annexation varies by geographic area. The West Ranch/Stephenson Ranch area generated a \$6.5 million general fund surplus for the County, and the Castaic/Val Verde area generated a \$1.0 million surplus in FY 06-07. City annexation of the Tesoro/Pitchess area would have a modest positive effect on the County general fund. County road and transit funds would benefit, particularly in the Castaic/Val Verde area where relatively low densities drive down funding sources allocated on population. Annexing each study area individually would have a smaller negative impact on the County than annexing all three simultaneously. The positive impact on the County of the Tesoro/Pitchess area annexing to the City would partly offset negative impacts on the County of Castaic/Val Verde and West Ranch/Stevenson Ranch areas.



State law requires that LAFCO determine the mitigation payment based on analysis of the most recent year of financial data available when a cityhood application is filed. Further, the law requires LAFCO to follow a formula that focuses only on the general fund impact. LAFCO has broad powers in establishing incorporation conditions, most importantly how many years the new city must make payments to the County. LAFCO ordered a 10-year payment term for the 2003 Hacienda Heights cityhood attempt.

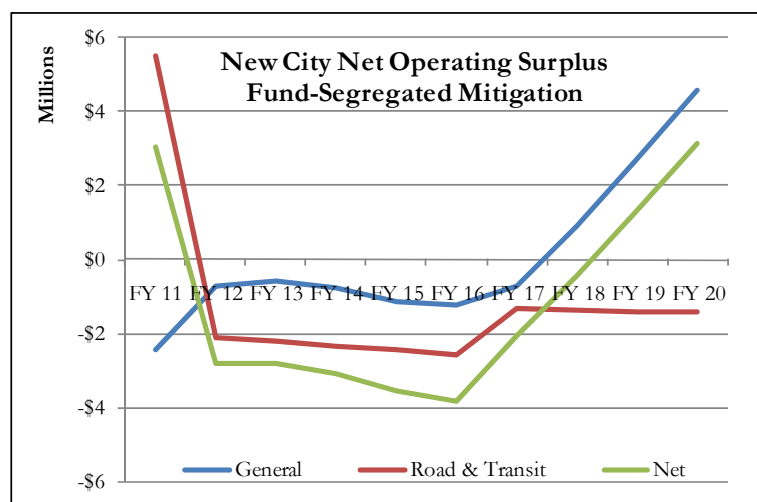
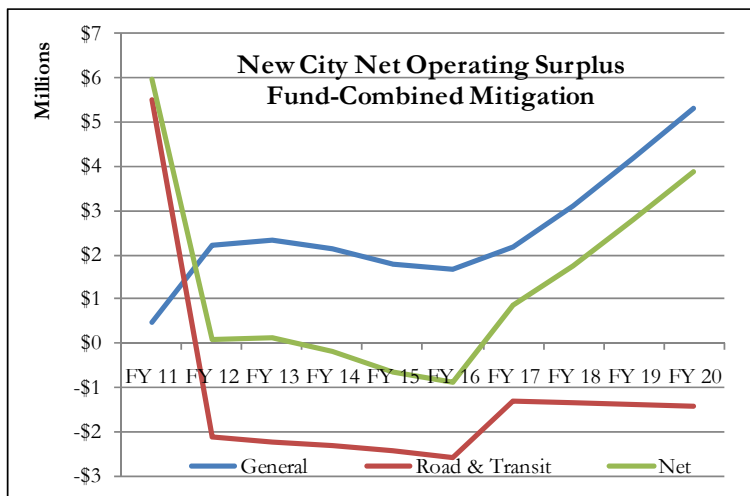
A more equitable approach to calculating the fiscal mitigation payment would be to average the effect over the last several years rather than base it on a peak or trough year in the business cycle. Under annexation, the City and County would negotiate the fiscal terms. There would be greater flexibility as to a fiscal mitigation agreement under annexation, because the parties are not bound to follow a particular formula in designing such an agreement.

FISCAL IMPACTS—NEW CITY

During a new city's first year (or "transition year"), the County continues to receive some of the new city's revenues due to allocation lags, and continues providing services. Standard LAFCO conditions allow the new city to borrow the cost of services in the first year and repay the cost over the next five years. The IFA model has the new city borrowing the cost of transition year street and transit services from the County and repaying it over the following five years; the new city's general fund would pay for services like law enforcement and recreation without borrowing.

The new city would begin making fiscal mitigation payments to the County by the end of the transition year. The amount, structure and term for those payments would be established by LAFCO, and is not known at this time.

If LAFCO establishes a fiscal mitigation payment that reflects net impacts on the County (combined general and road/transit fund impacts), the new city would have a consistently positive operating fund balance in its general fund that could be used to offset its road/transit budget deficit. Over the next five years, the new city would be making the full mitigation payment to the County while paying off its County loan for street and transit services. During years 4-6, the new city would run a net budget deficit of less than \$1 million annually; the deficit would be funded from reserves saved in the new city's first year. Once the County loan is paid off, the new city is projected to have a budget surplus; its financial position would improve further in year 8 when the fiscal mitigation payment to the County begins to phase out.



If LAFCO establishes a fiscal mitigation payment that only reflects the County's general fund losses (without the County's offsetting gains in road and transit funds), the new city would have a structural budget deficit by the third year of operation.

Both fiscal scenarios discussed here are based on the FY 06-07 fiscal impact on the County, and are not adjusted for subsequent recession impacts. Both scenarios rely on conservative growth and economic recovery assumptions.

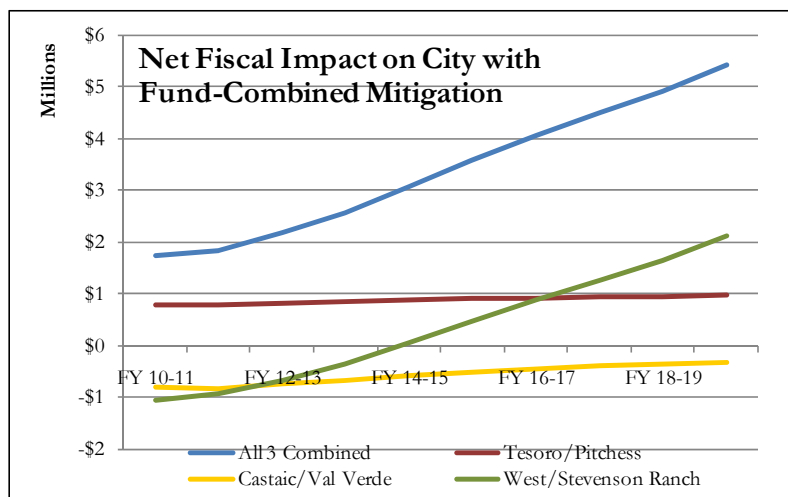
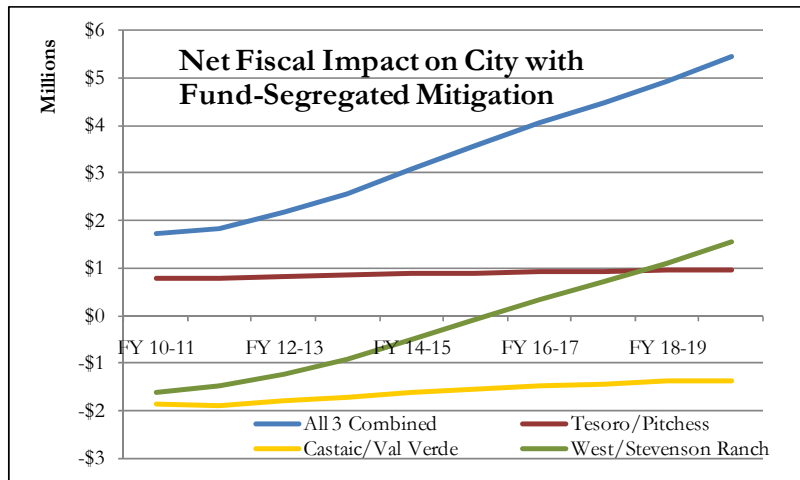
Issues for City-proponent negotiations and LAFCO consideration might include mitigation payment term and form, cost-sharing for the Casta Regional Sports Complex, law enforcement contract costs, and street and transit funding projects.

FISCAL IMPACTS—CITY OF SANTA CLARITA

Before factoring in the City's fiscal mitigation payment to the County, annexation of West Ranch/Stevenson Ranch would generate the greatest positive fiscal impact on the City general fund (\$5.1 million in FY 10-11) mostly due to relatively high sales and hotel tax revenue. Castaic/ Val Verde would have a marginally positive fiscal impact (\$0.2 million), and Tesoro/Pitchess would have a slightly negative effect (-\$0.1 million) due to its lack of commercial activity and associated tax revenues. Modeled revenue reflects operational impacts and does not account for interest earnings or withdrawals or deposits to capital funds or reserves.

There are many potential scenarios for fiscal mitigation terms.

The County's preferred approach is to base mitigation on any negative fiscal effect on the County general fund but exclude offsetting positive effects on its road and transit funds. If the City were to make mitigation payments under this fund-segregated approach, the net impact of Tesoro/Pitchess would be positive, West Ranch/ Stevenson Ranch would become positive over time, and Castaic/Val Verde would be negative. Updated fiscal data would reduce mitigation payments, and improve results for the City.



Another approach would focus on the net impact on the County's combined general, road and transit funds. If the City and County devise a mitigation package where the County spends its road or transit windfall to the benefit of the City, the City could make the full mitigation payment for the County general fund impact. Under this approach, the West Ranch/Stevenson Ranch and Castaic/Val Verde annexations would be less financially burdensome in the years following annexation.

Issues for City-County negotiations would likely include mitigation payment term and form, infrastructure condition, cost-sharing for the Castaic Regional Sports Complex, law enforcement contract costs, and street and transit funding projects.

SERVICE PROVIDERS

Annexation and incorporation would have similar impacts on service provision. Specifically, the following services would no longer be provided by the County and would be provided by the City or the new city:

- General government services, including governing board, management, legal and financial services,
- Building inspection,
- Land use planning,
- Code enforcement,
- Economic development,
- Local park maintenance,
- Recreation programming,
- Street maintenance,
- Street lighting, and
- Stormwater management and planning

The solid waste hauler would change under annexation from Burrtec to USA Waste. Under incorporation, the solid waste hauler would be selected by the new city.

Under both incorporation and annexation, the City or the new city would be responsible for provision of law enforcement, traffic enforcement and animal control services. However, in both cases the respective city would most likely contract with the County for these services. Traffic enforcement services would no longer be provided by California Highway Patrol, and would be provided by the Sheriff as a contract service.

Unaffected services include fire protection, emergency medical, wastewater, and public education services, among others. Water services would most likely be unaffected, except there would be potential impacts on the Val Verde community. County Waterworks District #36, which is a county-dependent special district, provides retail water service to Val Verde and the upper Hasley and Sloan canyon areas. In the event the affected area wishes to switch to another provider, such as Newhall County Water District or the Valencia Water Company, that change would likely be deferred until after incorporation or annexation.

GOVERNANCE

The areas are presently governed by the County Board of Supervisors. Board meetings are held in downtown Los Angeles, a minimum 40-minute drive from the study areas. The Board is responsible not only for municipal government in the unincorporated areas but also for countywide services, such as public health and welfare. The Board is elected by supervisorial district. Voters in the study areas elect one of the board members, but only compose two percent of that board members' constituency. It is statistically improbable that a study area resident would serve on the Board. The status quo offers up experienced elected officials, management and staff running their operations, along with that comes greater certainty and predictability.

If the areas incorporate, they would be governed by an elected five-member City Council composed of local residents. As a general law city, the Council members are elected at-large rather than by district. Council meetings would be held in the community, which would be more convenient for residents. Under incorporation, residents of the study areas would compose 100 percent of the constituency and electorate in the new city. Common reason communities wish to incorporate are to bring public accountability closer to the local community, to assume responsibility for land use control, and to capture locally generated revenues for the benefit of residents of the study area. If community members in the study areas perceive themselves to have significantly different interests and priorities than voters in the existing City, then the local control afforded by incorporation would likely be significantly greater than under the annexation alternative. On the other hand, the new city would face an uncertain start-up period with novice Council members, new management and new staff.

If the areas annex to the City, they would be governed by the City of Santa Clarita's five-member City Council also composed of local residents. As a general law city, the Council members are elected at-large rather than by district. Council meetings would be held in the community, and it would be more convenient for residents to voice concerns to their elected officials compared with the status quo, but somewhat less convenient than with cityhood. With annexation, residents of the study areas would compose 20 percent of the City's constituency and electorate. There would be a wait of as long as two years before study area residents could be elected to the Council depending on when annexation is effective compared with the Councilmember election cycle. Annexation would offer generally experienced elected officials, management and staff, but they would lack experience in governing the study areas. The influx of such a substantial number of new voters may create uncertainties about City governance and vision. Annexation offers greater certainty and predictability than incorporation, but not as much as the status quo.

SERVICE LEVELS

Comparison of the status quo to annexation is more straightforward as the City of Santa Clarita is an existing entity with known service levels. Comparison with incorporation is more speculative as the new city does not exist.

Generally, the IFA assumed that service levels in the communities would be unaffected by incorporation. In other words, service levels under the incorporation alternative would likely be similar to the status quo. Under incorporation, the only definitive improvements would be local governance and traffic enforcement services. Based on available funding, it would appear that stormwater service levels would decline compared with the status quo. However, voters in the new city could authorize a fee (up to \$20 per home annually) to cover that.

The AFA found that the City provides higher service levels for recreation and code enforcement than status quo service levels.

- **Law enforcement** service levels would be enhanced under annexation in that the City contracts with the Sheriff for extra services, including COBRA (a juvenile crime program), Business Alliance (business registry for public emergency purposes) and community interaction team that handles community concerns, such as squatters, abandoned cars and neighbor disputes. The City contracts for supplemental deputies, but it is unknown how that compares with existing deputy staffing and deployment levels in the study areas. Although police response times are faster on average in the City than the study areas, that appears to be due to longer travel times to the study areas which have lower densities and limited road networks compared with the existing City. Reported spending levels are highest under the status quo, although it is unknown whether higher reported spending translates into higher deployment levels in the study areas. Crime rates and the number of service calls per capita are higher in the existing City and the Tesoro/Pitchess study area than in the Castaic/Val Verde and West Ranch/Stevenson Ranch areas.
- **Traffic enforcement** would improve under both annexation and incorporation compared with the status quo. The existing service provider, California Highway Patrol, emphasizes enforcement on freeways rather than surface streets. With annexation and incorporation, the Sheriff would provide both law and traffic enforcement. That brings greater efficiency and emphasis on local roads, as Sheriff deputies spend more of their time on surface streets than freeways and are more likely to apprehend traffic violators while on patrol.
- **Patrol of local parks** would also shift from a separate County department to the Sheriff under both incorporation and annexation. Bringing law enforcement under one service provider would tend to enhance service levels, as deputies and detectives alike are more likely to recognize prior offenders, and Sheriff staff is likely to collaborate effectively with each other than multi-agency enforcement approaches.
- **Animal control** service levels would be the same under status quo, incorporation and annexation. The service provider, animal shelter location and spending levels would remain the same.
- **Code enforcement** services promote safe and aesthetic neighborhoods, enforcing ordinances that prohibit vehicle parking in yards, concrete-covered front yards, and hazards like ungated swimming pools, among many other neighborhood hazards and nuisances. Measured by spending levels per capita, code enforcement services at the City would be highest, followed by incorporation and status quo. Both the City and County respond rapidly to health and safety threats, and achieve similar compliance rates for zoning enforcement cases. The City responds somewhat faster to non-emergency complaints (30 percent within 72 hours) than the County (1-2 weeks). The County conducts neighborhood sweeps about twice monthly in the study areas to identify code violations, and otherwise responds to complaints. The City responds to complaints only, but runs a neighborhood makeover program that hosts block parties to educate communities on ordinances, and promote neighborhood pride and beautification. Coordination of service may be better under annexation than status quo; the City was able to provide the authors with workload statistics covering both its zoning and building enforcement units, but the County only reported zoning enforcement numbers.

- **Land use planning:** The County processes building permits more quickly than the City, turning around a building permit in the study areas for a new single-family home in 40 days on average, whereas the City reported turn-around times of 42-56 days. The County provided statistics on turn-around times for a greater variety of planning services than the City, which may reflect on its customer service level. The City's planning offices are open five days weekly and the new city would like be open five days weekly as well, whereas, under the status quo the County field office is open 2 ½ days weekly. Measured by spending levels per capita, planning service levels at the City would be highest, followed by incorporation and status quo. The County and City have embarked on a joint planning effort—One Valley One Vision—agreeing on certain guiding principles and coordinating on land uses and the pace of development. As a result, annexation is unlikely to change land use designations in the study areas.
- **Parks:** There is a similar extent of park space in the City and the study areas, with both averaging comparable levels of usable, active park acreage per capita as well as total passive park acreage per capita.¹ The City contains slightly more regional park resources serving beyond a two-mile radius, where the study areas contain more local park acreage serving within a two-mile radius. The Castaic/Val Verde study area has significantly more park space per capita than the other study areas. Based on spending levels per capita, annexation would appear to offer much higher service levels for park and recreation services combined, with incorporation offering somewhat higher spending levels than the status quo.²
- **Recreation:** The County and City offer sports programming, camps, aquatic programs, and classes at 12 parks in the City and four parks in the study areas. The City reported higher recreation participation, which is measured as the number of annual recreation activities (e.g., one game is one activity) per resident, with 8.0 versus 6.1 at the County programs. The City reports that 25 percent of its participants are non-residents. So it appears that study area residents more often patronize City programs than vice versa. Although both the County and City offer varied programming, the City offers a wider variety of classes—ranging from acting to woodworking to yoga. With cityhood, service levels may be somewhat higher than under the status quo, as measured by spending per capita.
- **Road maintenance:** The pavement condition is very good in Tesoro/Pitchess and West/Stevenson Ranch, and good in Castaic/Val Verde and the City limits. Street sweeping services are offered weekly by both City and County. Public road densities (public road square footage as percent of land area) are three times higher in the City than in the West/Stevenson Ranch and Castaic/Val Verde areas, and twice as high as in the Tesoro area. This is due not only to higher densities in the City, but also to the extent of roads maintained privately instead of by local government. Private roads include relatively new roads in gated communities as well as older roads in the Castaic study area that are in poor shape. Local government is not responsible for maintaining private roads. Both the County and the City spent significantly more on maintenance

¹ Active parkland is developed with active sports facilities (e.g., ball courts), delineated sports fields, aquatic facilities or gymnasiums. Passive parkland contains trails, open fields, picnic tables, or scenic resources.

² Cost data separated into park maintenance and recreation programs was not available for the status quo or incorporation options.

per road mile than the median city in the County. Average spending levels per road mile are similar among the status quo, annexation and incorporation options. The new city would spend at a comparable level with the status quo. However, the County has deeper resources for maintaining roads as State law allocates gas tax revenues more generously to counties than to cities.

- **Stormwater:** Municipal stormwater services involve inspection and clean-up of storm drains and debris basins, and planning efforts to meet increasingly stringent regulatory requirements. Both the City and County have financing mechanisms that allow them to offer higher service levels than the typical jurisdiction. The City imposes a stormwater fee, while the County relies on its ample gas tax revenues as well as Flood Control District funds. The status quo appears to offer the highest service level, followed by annexation. The County spent more (\$20 per capita) than the City (\$12 per capita) on stormwater programming in FY 06-07. The new city's budget contains less (\$7-9 per capita) in stormwater funding; voter approval would be needed for the new city to impose a fee to enhance stormwater financing.
- **Street lighting:** Status quo and annexation offer comparable levels of funding (\$18 and \$19 per capita respectively) to pay utility and maintenance costs for street lighting service. The new city's budget would need to be supplemented with a voter-approved lighting fee (approximately \$50 per home) to sustain service levels.
- **Economic development:** Businesses in the study areas would receive higher economic development service levels upon annexation, as measured by economic development staff per job and reflected by the extent of services and accomplishments reported.

COMPETITION AND RISK

MUNICIPAL COMPETITION

One consideration is the matter of competition for economic development and sales tax dollars. Under California municipal finance law, municipalities receive sales tax revenues based on the location of the business. Cities that successfully attract and retain high sales tax generators, such as automobile dealers and department stores, have greater funding and service levels than do cities with less lucrative retail development. Beverly Hills, Santa Monica and Culver City are local examples of successful cities with relatively high sales tax revenues.

Neighboring California cities compete with each other for sales tax revenues through their zoning and economic development efforts and tax levels. In some cases, this competition may be positive for the business community as it tends to create pressure for municipalities to deliver services more effectively to retailers. In other cases, this competition can be negative for certain communities with older retail business in that an adjacent, new-growth community can potentially attract businesses across the border. Specifically, success in one jurisdiction at the expense of its neighbor tends to reduce revenues and service levels in the losing jurisdiction, or to create a need in the losing jurisdiction for imposition/increase of taxes.

In the case of the study areas, there is already economic development competition between the County and the neighboring City of Santa Clarita. Sales tax generating commercial activity is clustered along I-5 in study area 3, which also serves as the boundary between study area 3 and the City. There is active competition between the jurisdictions for tax-generating business activity. The

geography in the study areas happens to generate a significant opportunity for sales tax competition to negatively affect one or the other jurisdiction.

If annexation were to occur, sales tax competition would not be relevant between the study areas and the City. This would have the positive effect of reducing the risk that the City (or the study areas) would be negatively affected by sales tax competition in the future in terms of impacts on municipal funding levels. Conversely, this would have the negative effect of reducing inter-municipal competition for provision of municipal services to the business community. Under the incorporation alternative, community members could reasonably expect that the new city would initially be somewhat ineffective at economic development and would improve over time, and that the new city would likely become more effective at economic development than the County simply due to the smaller and more geographically concentrated scope of the new city compared with the unincorporated areas as a whole in the County. In other words, incorporation would most likely heighten sales tax competition between the study areas and the City in the long-term.

RISK

The economic recession highlights the importance of considering risk. Periodically, the State has reduced local government funding during times of State fiscal distress, and has changed formulaic approaches to allocation of certain revenues to cities. For example, the Governor has considered reducing property and gas tax allocations to California cities as approaches to partly remedy the State's structural budget deficit. Another example is that the recession has led to significant reductions in sales tax, transient occupancy tax and property tax revenues among California cities. The smaller a municipality, the less diversified its tax base and the greater the volatility in its revenue streams. Conversely, a larger municipality tends to have much less volatility in revenue streams due to a more diversified economy and tax base. In other words, community members would best shield themselves against the risk of future tax increases or service level decreases by being part of a larger jurisdiction. Hence, in terms of minimizing such risks, retention of the status quo is the optimal approach, followed by annexation to the City.

2. GOVERNANCE CHANGES

This chapter describes LAFCO and provides an overview of the requirements and processes associated with incorporation, annexation and formation of a community services district.

LAFCO

The Los Angeles Local Agency Formation Commission (LAFCO) governs incorporation and annexation proceedings in Los Angeles County.

In 1964, the Legislature formed a LAFCO in each county, including Los Angeles, as a regulatory agency with countywide jurisdiction to discourage urban sprawl and encourage the orderly formation and development of local government agencies. Each LAFCO is responsible for coordinating logical and timely changes in local governmental boundaries, including incorporations of cities, annexations and detachments of territory, formations of special districts, and consolidations, mergers, and dissolutions of districts, as well as reviewing ways to reorganize and streamline local government.

Each LAFCO regulates the boundary changes proposed by other public agencies or individuals by approving or disapproving such changes, with or without amendment, wholly, partially or conditionally. Each LAFCO is empowered to initiate updates to the spheres of influence as well as proposals involving the dissolution or consolidation of special districts and the merging of subsidiary districts. Otherwise, LAFCO actions must originate as applications from affected constituents, property owners or agencies.

Los Angeles County LAFCO consists of nine regular members: two members from the Board of Supervisors, two city representatives, one City of Los Angeles representative, two special district representatives and two public members (one represents the San Fernando Valley Statistical Area). There are six alternates to the regular members. Commissioners are appointed to four-year terms.

Commission Members, 2009

| Appointing Agency | Members | Alternate Members |
|---|--|---|
| Two members from the Board of Supervisors appointed by the Board of Supervisors. | Gloria Molina Zev Yaroslavsky | Don Knabe |
| Two members representing the cities in the County. Must be a city officer and appointed by the City Selection Committee. | Carol Herrera, <i>City of Diamond Bar</i> Margaret Finlay, <i>City of Duarte</i> | Judith Mitchell, <i>City of Rolling Hills Estates</i> |
| One member representing the City of Los Angeles. Must be a city officer and appointed by the Los Angeles City Council President. | Greig Smith | Tom LaBonge |
| Two members representing the independent special districts in the County. Must be a district governing body member and appointed by the independent special district selection committee. | Jerry Gladbach, <i>Castaic Lake Water Agency</i> Donald L. Dear, <i>West Basin Municipal Water District</i> | Robert Apodaca, <i>Central Basin Municipal Water District</i> |
| One member from the San Fernando Valley appointed by the the Board of Supervisors. | James DiGuiseppe | Richard Close |
| One member from the general public appointed by the other eight Commissioners. | Henri F. Pellissier | Kenneth I. Chappell |

INCORPORATION

PRECONDITIONS

LAFCO is required by law to make certain findings before submitting incorporation to the voters. The primary requirements are:

- 1) The proposed city's revenues must be sufficient to provide services, facilities and a reasonable reserve during the three fiscal years following incorporation (Government Code §56720),
- 2) The incorporation a) has no substantial fiscal impact on the county and other agencies, b) the agencies agree to the transfer, OR c) LAFCO finds that negative fiscal effects have been adequately mitigated (Government Code §56815),
- 3) There should be a similar exchange of revenue and responsibility for service delivery among the county, the proposed city and other agencies (Government Code §56815), and
- 4) Incorporation may not occur for primarily financial reasons (Government Code §56815).

CONSIDERATION FACTORS

In considering any proposal, LAFCO is required to consider various factors, including the following:

- 1) The need for organized community services; the present cost and adequacy of governmental services in the area; probable future needs for those services and facilities; probable effect of the proposed incorporation and of alternative courses of action on the cost and adequacy of services and facilities in the area and adjacent areas.
- 2) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- 3) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.³

STEPS

Prior to initiating incorporation, community leaders would study the matter to gain a clear understanding of the reasons for incorporating and to consider preliminary geographic boundaries for the proposed city. They would meet with LAFCO staff. Typically, an initial fiscal analysis (IFA) gauges the feasibility of potential incorporation of the community. Although not required by law, the IFA is recommended by the Governor's Office of Planning and Research prior to initiation of incorporation.

There are numerous steps involved in incorporation.

- **Notice of intent to circulate petition:** the proponents file with LAFCO intent to circulate an incorporation petition (Government Code §56700.4(a)).⁴ The LAFCO Executive Officer then notifies affected local agencies.⁵

³ Government Code §56668 lists other factors LAFCO must consider.

- **Petition drive:** the proponents prepare the petition and collect signatures from 25 percent or more of the registered voters. The proponents have up to 180 days to complete this process. Within 30 days of receiving the petition, the LAFCO executive officer will have it examined by the county elections official (Government Code §56706(a)) who compares the petition signers with the voters' register to ascertain the number of registered voters in the affected area and the number of qualified signers. (Government Code §56707). If LAFCO determines there are enough valid signatures, it issues a certificate of sufficiency.
- **Application:** the proponents submit the petitions, statement of the nature of the proposal, map and legal description, and the names of up to 3 petitioners/proponents to LAFCO (Government Code §56652). The LAFCO executive officer may require the proponents to file additional information at this time. The proponents must pay fees to cover LAFCO's costs of processing the application (
- **Comprehensive Fiscal Analysis:** a Comprehensive Fiscal Analysis (CFA) must be prepared (Government Code §56800). LAFCO will issue a request for proposals from consultants for the CFA to be prepared, most likely after the proponents pay their fees and the certificate of filing is completed. Preparing a CFA requires data collection, substantial analysis and report preparation.
- **Proponent-County negotiations:** after a preliminary draft of the CFA has been prepared, the incorporation proponents and the County negotiate fiscal terms and conditions, typically facilitated by LAFCO staff. If negotiations do not yield an adopted agreement, LAFCO develops the fiscal terms and conditions. The CFA is then revised to reflect the agreed-upon terms and conditions, or those recommended by LAFCO.
- **Controller review:** Upon CFA completion, any party may request State Controller review of the CFA for a period of 30 days. The requesting party must pay the Controller's costs of review.
- **Executive officer's report:** The executive officer's report makes recommendations on the application (Government Code §56665). LAFCO staff prepares the executive officer's report at least five days in advance of the LAFCO hearing, and drafts the resolution making determinations.
- **LAFCO hearing:** LAFCO holds a hearing at which it decides whether or not to approve the incorporation and, if approved, any terms and conditions. At the public hearing, LAFCO's Commission hears the staff report and testimony of interested parties both supporting and opposing the incorporation. LAFCO may continue the hearing to a future date or close the public hearing and act on the proposal.
- **Reconsideration:** Within 30 days of LAFCO approval, reconsideration by the Commission may be requested.

⁴ As an alternative to the petition process, the law provides for incorporation to be initiated by resolution of an affected local agency. For example, the Rossmoor Community Services District initiated incorporation of the Rossmoor community in 2007, but did so after a petition process showed community support for the proposal. However, Rossmoor incorporation was ultimately rejected by the voters.

⁵ The law defines an affected local agency as any local agency (a city, county, or special district subject to LAFCO jurisdiction) which contains, or would contain, or whose sphere of influence contains, any territory within a proposal to be reviewed by the commission.

- **Protest hearing:** LAFCO must schedule a protest hearing within 35 days of adopting the incorporation resolution.
- **Election:** After the protest hearing is completed, the election may be scheduled and must be at least 88 days after the resolution calling the election was adopted.
- **Incorporation:** Once the election results are certified, typically there is at least a two to three-month period during which the elected council members hire an interim city manager and attorney, and the attorney prepares legal documents for the Council to adopt at its first official meeting.
- **Transition period:** the County is required to provide services during the first partial fiscal year after incorporation, and the new city reimburses the net expense over a five-year period.

CITYHOOD IN LOS ANGELES COUNTY

Of the 88 existing cities in Los Angeles County, 75 had already incorporated when LAFCO was created in 1964.

The most recently incorporated cities in the County are Calabasas, Malibu, Diamond Bar, Santa Clarita, and West Hollywood, as shown in the table.

Since Calabasas formed in 1991, there have been several incorporation attempts. Hacienda Heights cityhood was rejected by voters in 2003. Proposed “special reorganization,” simultaneous detachment from the City of Los Angeles and incorporation as a separate city, was rejected by voters in 2002 for the San Fernando Valley and Hollywood communities. The Harbor community had also proposed special reorganization, but proceedings were terminated by LAFCO because the community was not found to be financially self-sufficient as a city.

Newest Cities in Los Angeles County

| City | Year Incorporated | Population 2009 |
|---------------------|-------------------|-----------------|
| Calabasas | 1991 | 23,735 |
| Malibu | 1991 | 13,712 |
| Diamond Bar | 1989 | 60,407 |
| Santa Clarita | 1987 | 177,150 |
| West Hollywood | 1984 | 37,580 |
| Agoura Hills | 1982 | 23,337 |
| Westlake Village | 1981 | 8,858 |
| La Habra Heights | 1978 | 6,151 |
| Lancaster | 1977 | 145,074 |
| Rancho Palos Verdes | 1973 | 42,800 |

Sources: California Dept. of Finance, 2009; Pitt and Pitt, 1997.

The unincorporated community of East Los Angeles initiated the incorporation process in 2009 after successfully completing initial fiscal analysis and a petition drive. LAFCO is presently reviewing the proposal.

Although the Hacienda Heights incorporation attempt was defeated at the ballot, it offers insight into the likely term that LAFCO would require the new city to make fiscal mitigation payments. In that case, LAFCO imposed a 10-year mitigation term with the proposed new city making full payments to the County over a 7-year period and smaller payments for three additional years. The first mitigation payment would have been due at the end of the proposed city’s first year.

ANNEXATION

PRECONDITIONS

There are several preconditions to annexation: territory must be contiguous to the annexing city,⁶ territory must lie within the sphere of influence of the annexing city,⁷ and the annexing agency must pre-zone the affected area.

Sphere of Influence

A pre-condition for annexation is that the proposed annexation area must lie within the City's sphere of influence (SOI). An SOI is a LAFCO-approved plan that designates an agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services, discourage urban sprawl and premature conversion of agricultural and open space lands, and prevent overlapping jurisdictions and duplication of services.

The Cortese-Knox-Hertzberg Act requires LAFCO to develop and determine the SOI of each local governmental agency within the county and to review and update the SOI every five years. LAFCOs are empowered to adopt, update and amend the SOI. They may do so with or without an application and any interested person may submit an application proposing an SOI amendment. The City or any interested party may apply to LAFCO for an amendment to the City's SOI. LAFCO must notify affected agencies 21 days before holding a public hearing to consider the SOI and may not update the SOI until after that hearing. The LAFCO Executive Officer must issue a report including recommendations on the SOI amendments and updates under consideration at least five days before the public hearing.

For the most part, the study areas are outside the existing SOI, although a small portion of the Tesoro study area lies within the City's existing SOI. The City's SOI was most recently amended in 2005 to include the Whitney Canyon area which was annexed at that time.⁸ When LAFCO last updated the City's SOI in 2005, it made no changes to the SOI.⁹

The City filed an application in 2009 for an SOI amendment to expand its SOI to include the 1,433-acre Hasley Hills, North Bluffs, Live Oak and Valencia Commerce Center areas as well as annexation of the areas, although that application had not yet been processed when this report was written and no LAFCO hearing date had yet been set. The proposed Hasley Hills SOI expansion area composes a portion of the Castaic/Val Verde study area.

Pre-Zoning

A pre-condition for annexation is that the City must pre-zone the proposed annexation areas.

Existing zoning in the annexation areas is established by the County. Land use designations are being updated by the County in 2009, and were under consideration at the time this report was prepared. Although the County determined the land use designations, its planning efforts in the Santa Clarita Valley have been conducted jointly with the City of Santa Clarita. Recognizing that the

⁶ Government Code §56744.

⁷ Government Code §56375.5.

⁸ Los Angeles LAFCO minutes, Jan. 12, 2005.

⁹ Los Angeles LAFCO minutes, Jan. 26, 2005.

City of Santa Clarita is located within and is an integral part of the greater Santa Clarita Valley, both the City and the County have embarked on a joint planning effort called *One Valley One Vision* (OVOV). Through this process, the City and County have agreed on certain guiding principles. The OVOV planning process reflects the City's and County's mutual decision to coordinate land uses and the pace of development with provision of adequate infrastructure, conservation of natural resources, and common objectives for the Valley.¹⁰ As a result, it is improbable that land use designations in the areas would change if the areas choose to annex to the City. The City would be required to pre-zone the study areas prior to initiating annexation. The City would be precluded from changing the land use designations for a two-year period following annexation.¹¹

PROCESS

Annexation may be initiated by petitioning voters, petitioning landowners or by the governing body of the annexing agency. Since annexation must be approved by the City Council (and LAFCO), it is typically initiated directly by the annexing city. If initiated by the annexing city, that agency must also prepare a service plan delineating which services will be extended to the territory, along with information on service levels, infrastructure requirements and service financing.

Once initiated, the proposal is reviewed by LAFCO staff, a property tax exchange is negotiated by the County and the City, and environmental review is conducted.¹²

The affected agencies negotiate the terms for property tax to be transferred from the County and affected special districts to the City. The property tax rate was capped at one percent (excluding tax overrides for repayment of voter-approved bonds) by Proposition 13 in 1978. The property tax was allocated among local agencies serving an area based on their respective shares of property tax revenue at that time. As the County provides both countywide (e.g., courts) and municipal (e.g., law enforcement and road maintenance) services, it receives a higher share of property taxes in unincorporated areas than in areas located within the bounds of a city. If the County and City do not agree on property tax terms, annexation cannot be approved.

LAFCO reviews the application, and may approve the proposal at a public hearing. LAFCO decides not only whether to approve the annexation but also any terms and conditions for its approval. In making these decisions, LAFCO considers factors including the City's ability to provide and finance services in the annexation area, anticipated growth, land use, service needs, service adequacy, regional housing needs, effects on adjacent areas, and the comments of affected agencies and landowners.¹³ LAFCO is authorized to establish annexation conditions, such as the effective date, annexation area boundaries, extension or continuation of taxes by the City or the County or the City, levying of special taxes, new bonded indebtedness for the annexation area and improvement district changes.¹⁴ Existing taxes, such as business license taxes, and assessments in the annexing city would be imposed on the annexation area at the same rates as are imposed in the

¹⁰ City of Santa Clarita, *Draft General Plan: Introduction*, 2008, p. I-2.

¹¹ Government Code §56375(e).

¹² Although LAFCO serves as lead agency for the environmental review, preparation of the environmental document is typically performed by the annexing city.

¹³ Government Code §56668.

¹⁴ Government Code §56886. LAFCO terms and conditions may not directly regulate land use, property development or subdivision requirements.

City of Santa Clarita. Typically, the annexed areas are detached from County-dependent road and landscape districts, and associated assessments are transferred from the County to the City.

The annexation proposal may be approved by LAFCO without an election if less than 15 percent of the voters in the affected area file a written protest.¹⁵ If 15 to 50 percent file written protest, LAFCO submits the annexation question to the voters, and a majority of voters decide the matter. LAFCO terminates annexation proceedings if a majority of voters file a written protest.

Upon annexation, residents of the annexed area have the same rights and duties as if the territory had been a part of the City upon its original incorporation. Upon annexation, the City assumes responsibility for providing and/or financing municipal services, such as law enforcement, road maintenance and public landscaping.

COMMUNITY SERVICES DISTRICT FORMATION

OVERVIEW

Another option that is not on the advisory ballot measure is for the communities to remain unincorporated, and to form a community services district (CSD). A CSD could afford the communities greater control over service and deployment, but would not result in local control over ordinances and regulatory functions.

A CSD is a special district with an independently elected board of directors composed of five members. Special districts are limited-purpose governments that provide public facilities and services, but do not have regulatory powers. In contrast, counties and cities are general-purpose local governments with broad police powers and control over zoning to regulate land use. A CSD can be a permanent form of governance that provides certain local services, or a transitional form of governance as a community approaches cityhood.

Formation of a CSD must be approved by LAFCO and voters. LAFCO also regulates which services an existing CSD is authorized to provide. Most CSDs provide just a few public services, although some there are some CSDs that provide a broad spectrum of services.

Services that CSDs may be authorized by LAFCO to Provide

| | |
|--|--|
| Water supply | Transportation |
| Wastewater collection, treatment or disposal | Graffiti abatement |
| Stormwater | Community facilities |
| Solid waste collection, transfer or disposal | Electric power |
| Recycling | Television translator |
| Fire protection and ambulance | Pest abatement |
| Recreation and parks | Mailboxes |
| Street lighting | Mail delivery under contract with USPS |
| Landscaping on public property | Cemeteries |
| Mosquito and vector control | Finance area planning commissions |
| Security services | Finance municipal advisory councils |
| Library | Habitat mitigation |
| Airports | |

¹⁵ Government Code §57075.5.

Potential CSD financing sources include property tax allocations, special taxes, benefit assessments, rates for utility service, fees covering the cost of service, service charges, grants and other intergovernmental revenues, and bonded debt. A CSD may not impose a general tax (such as a utility users' tax) or regulatory fines, but may receive such funds from another agency.

PRECONDITIONS

LAFCO is required by law to make certain findings before submitting CSD formation to the voters. The primary requirements are:

- 1) The proposed CSD must have sufficient revenues to carry out its purposes. This could be accomplished by negotiating a property tax transfer with the affected agency (i.e., the County) for the services that would transfer, or by including in the ballot measure for forming the CSD a special tax or benefit assessment that would finance CSD services. If the latter, the CSD would not be formed unless voters approve both the formation and the financing measure.
- 2) The CSD boundaries may not conflict with the sphere of influence of another local agency. For example, the CSD boundaries could not overlap the City's SOI.
- 3) The CSD may not provide services that area already provided by another agency to the proposed territory.

STEPS

Prior to initiating CSD formation, community members would determine which services they intend for the CSD to provide, initial geographic boundaries for the district, and a financing approach. During the scoping phase, they would typically meet with LAFCO staff and with the local agency (in this case, the County) currently providing services that the CSD proponents wish to be transferred.

Following are the formal steps in the CSD formation process:

- **Notice of intent to circulate petition:** the proponents file with LAFCO intent to circulate a CSD formation petition (Government Code §56700.4(a)). The LAFCO Executive Officer then notifies affected local agencies.¹⁶
- **Petition drive:** the proponents prepare the petition and collect signatures from 25 percent or more of the registered voters. The petition must briefly describe which services the CSD would provide, the financing approach, the reasons for forming the district, and include a map, among other requirements.¹⁷ The proponents have up to 180 days to complete this process. Within 30 days of receiving the petition, the LAFCO executive officer will have it examined by the county elections official (Government Code §56706(a)) who compares the petition signers with the voters' register to ascertain the number of registered voters in the affected area and the number of qualified signers. (Government Code §56707). If LAFCO determines there are enough valid signatures, it issues a certificate of sufficiency.

¹⁶ CSD formation may be initiated by petition or by resolution of application by the legislative body of any county, city, or special district which contains any of the territory proposed to be included in the district. However, it is typically initiated by petition.

¹⁷ For a listing of all requirements for the petition contents, see Government Code §56700 and 61011.

- **LAFCO review:** LAFCO staff reviews the proposal, analyzes the fiscal feasibility of the District, and prepares environmental documentation. If a property tax transfer is proposed, LAFCO would conduct analysis of that matter as well.
- **Executive officer's report:** The executive officer's report makes recommendations on the application. LAFCO staff prepares the executive officer's report at least five days in advance of the LAFCO hearing, and drafts the resolution making determinations.
- **LAFCO hearing:** LAFCO holds a hearing at which it decides whether or not to approve the CSD formation and, if approved, any terms and conditions. At the public hearing, LAFCO's Commission hears the staff report and testimony of interested parties both supporting and opposing the CSD formation. LAFCO may continue the hearing to a future date or close the public hearing and act on the proposal.
- **Reconsideration:** Within 30 days of LAFCO approval, reconsideration by the Commission may be requested.
- **Protest hearing:** LAFCO must schedule a protest hearing within 35 days of adopting the CSD formation resolution. If a majority of voters file written protest, LAFCO would terminate proceedings.
- **Election:** After the protest hearing is completed, the election may be scheduled. A majority of voters would typically decide the issue. If the ballot measure contains a financing provision that would require a two-thirds vote for approval, then two-thirds voter approval would be required for CSD formation.
- **CSD Formation:** Once the election results are certified, typically there is a transition period during which the elected board members hire a general manager and legal counsel, who in turn prepare legal documents for the Board to adopt at its first official meeting.